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Grain and Feed Annual

Nigeria's Wheat Imports Surge

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Report Highlights:

Nigeria has become the leading export destination in the world for U.S. wheat in MY2009/10, with sales and shipments as of April 1 at a record 3.3 million tons, up 28 percent from last year. Consumption continues to expand due to increased demand for wheat flour for bread, noodles pasta and biscuit production. The increase is attributed to the continued decline in wheat prices and the sustained high prices of local substitutes. Nigeria's rice imports from the U.S. are also trending upwards, largely based on quality. Local grains production is reported to be increasing. The increase is attributed to the steady availability of inputs and favorable weather conditions. Grains production in 2010/10 is expected to increase due to the reported early arrival of rains in the grains' belt and the prevailing attractive grower prices.

Executive Summary:

Nigeria is a huge growth market for wheat, with U.S. sales and shipments this year at a record level, and Nigeria is currently the largest importer of U.S. wheat in the world at 3.3 million tons. The combination of lower international wheat prices, steady increase in domestic demand for flour based products (bread, noodles, past and biscuits) and high prices of local substitutes is encouraging millers to bring more of the existing excess milling capacity into use. U.S. market share remains dominant at almost 90 percent.

Domestic rice production continues to increase due largely to incentives available to farmers under the Presidential Initiative on Rice. The initiative is part of GON's efforts aimed at achieving self-sufficiency in rice production. Despite increased production, imports are expected to be steady and Nigeria will remain one of the world's largest rice importers. At present, importers who established milling facilities in the country are taking advantage of the GON's lower duty on brown rice to import the product. A substantial portion of Nigeria's rice imports are smuggled in through Nigeria's porous borders, especially from the Republic of Benin.

Nigeria's aggregate grain production in 2010/11 is forecast to increase five percent. The forecast is based on a number of factors including expanded planted area as a result of the prevailing attractive grain prices, the GON's zero tariffs on imported agrochemicals, and the reported timely arrival of rains in the grains belt. In addition, imported fertilizer is more readily available, albeit at high prices. Nigeria continues to depend almost exclusively on imported fertilizer, and the only domestic fertilizer plant, Notore Chemical Industries, has only resumed skeletal operations. This plant was reopened following more than eight years closure and the company plans to produce three million tons of fertilizer production by 2011. Fertilizer and agricultural tools/implements, which are essential for agricultural development, have zero import duty.

Despite the good corn crop in 2009/10 prices have remained high due largely to the low carry over stock from the preceding year, rising domestic demand and strong demand from nearby countries where crops were poor. Market sources indicate that prices will continue to rise until new supplies are available from the next harvest, which begins in August 2010. In September 2008, the GON lifted the import ban on corn and local poultry producers are exploring import opportunities to cushion the impact of high prices. Corn is the preferred energy source and accounts for about 60 percent of compound feed. Production of corn and sorghum is expected to increase in 2010/11 due to attractive producer prices this year and greater availability of inputs. Nigeria and the United States are the two largest producers of sorghum in the world.

Exchange Rate: US\$1 = 150 Naira

Commodities:

Wheat

Production:

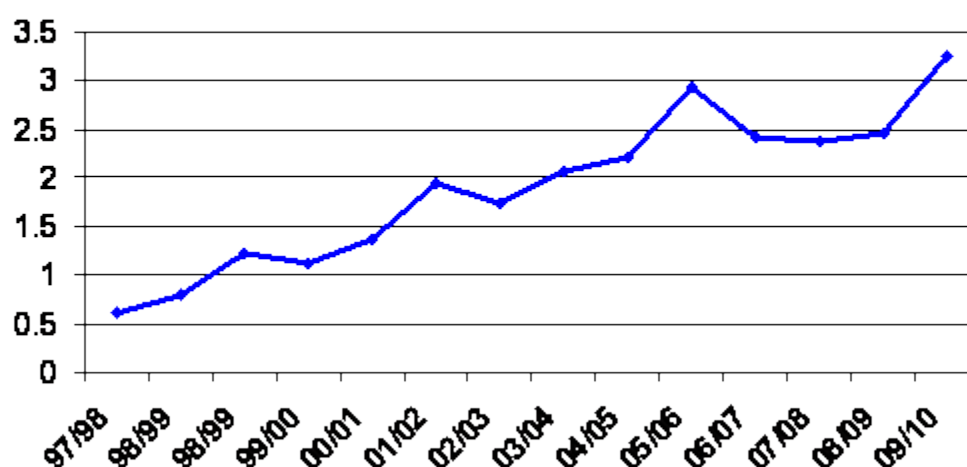
Nigeria's wheat production in 2010/11 is forecast to remain small at only 100,000 tons, the same as in 2009/10. Local climatic conditions in Nigeria are not suitable for profitable wheat production and the wheat that is produced is grown under irrigation in a few states in northern Nigeria.

Consumption:

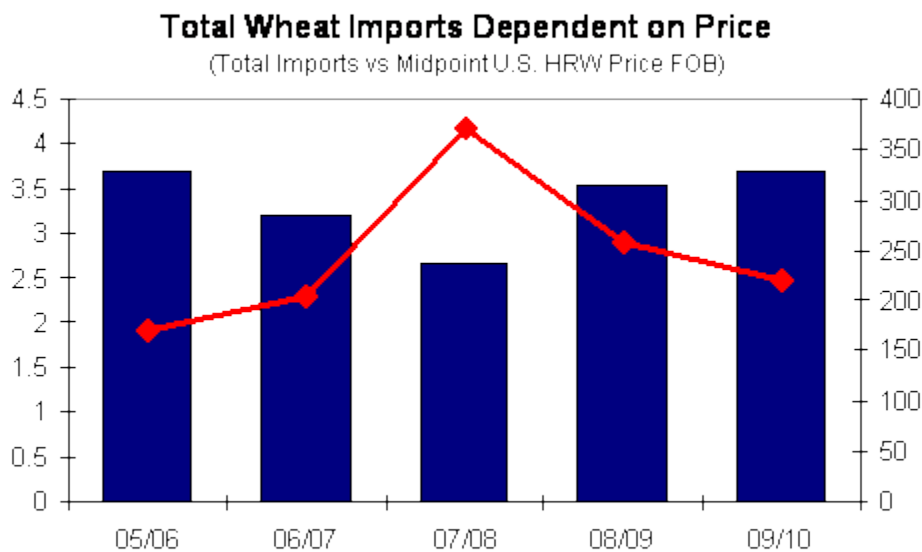
Nigeria's overall milling capacity is currently estimated at about 6.5 million tons, with about 60 percent of this capacity being utilized in 2009/10. Feeding patterns are changing in tandem with growth in the middle class. Production of bread flour continues to expand because bread is a standard item in the breakfast diet and it is a convenience food of many Nigerians. The rapid growth in the quick restaurant industry offering pastries, in recent years has also contributed to the increase in wheat demand. At present, Nigeria is experiencing the greatest growth in the production of noodles as virtually all flour mills in the country have established noodle production facilities. The demand for noodles in Nigeria is very high and noodle imports are banned. Nigerian noodle manufacturers have benefited from the removal of the ban on crude vegetable oil, a key component in instant noodle production, and increased imports of palm oil has caused a large drop in the cost of production. Noodle production is estimated to use up to 300,000 MT of Hard Red Winter Wheat (HRW) in 2009/10. Although Nigeria is traditionally a market for Hard Red Winter, in recent years there has been a steady increase in demand for other types of wheat such as Soft Red Winter for use in biscuit production, and Hard White Wheat for bread and noodle production.

Nigeria a Huge Growth Market for U.S. Wheat

(U.S. Export Sales and Shipments as of end March)



Prices



Trade:

Nigeria remains a growth market for wheat imports as its huge population continues to expand and per capita consumption of wheat expands from a low base. Nigeria's overall wheat import volume in 2010/11 is forecast at 3.9 million tons, up from the revised estimate of 3.7 million tons in 2009/10. The higher volume projected for 2010/11 is based on the assumption that global wheat prices will remain stable and more excess milling capacity in Nigeria will be utilized. As can be observed from the composite graph above, the amount of total wheat imports in Nigeria is highly related to the price of wheat.

The United States has a dominant market share of about 90 percent of Nigeria's wheat market. Nigerian flour mills have been able increase capacity utilization and despite lower priced imported wheat, flour prices have remained largely stable as a result of high prices for other local staples. This has benefited the mills financially and reduced the incentive for mills this year to experiment with lower-priced wheat from U.S. competitors. At present, Nigeria is the largest export destination for U.S. wheat in the world and the U.S. has a strong reputation as a consistent and reliable supplier of wheat, especially the HRW. Industry sources indicate that wheat flour from Nigeria is exported informally and can be seen in several countries in West and Central Africa.

Stocks:

Because of favorable prices, most millers have stepped up buying and stockpiling more. On average, millers keep stocks that can sustain milling operations for two months.

Policy:

The GON lifted the import ban on wheat flour and biscuits in September 2008 and imposed tariffs of 35 percent and 25 percent, respectively. Although substantial imports of these products have not occurred since the lifting of the ban, millers and biscuit manufacturers have been vocal in their opposition to its removal.

Nigeria's wheat import tariff is five percent, and imported wheat is also subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equivalent to one percent of FOB value. A five percent value added tax is also applicable to wheat flour and millers are also required to fortify flour with vitamin A.

Additionally, the GON made it mandatory for flour mills to include 5 percent cassava into the flour in an effort to support local cassava production. Although the policy is not strictly enforced by the current administration, millers are apprehensive that the GON could arbitrarily close down the mills. In 2007, the GON closed virtually all of the flourmills in the country for a short period, citing non-compliance with the 5 percent requirement.

Marketing:

The U.S. Wheat Associates is very active in Nigeria in providing training opportunities and trade servicing for the Nigerian milling industry and have a representative located in Lagos.

Production, Supply and Demand Data Statistics:

Wheat Nigeria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	95	95	95	95	95	95			95
Beginning Stocks	100	100	100	200	100	200			200
Production	100	100	100	100	100	100			100
MY Imports	3,550	3,200	3,550	3,700	3,400	3,700			3,900
TY Imports	3,550	3,200	3,550	3,700	3,400	3,700			3,900
TY Imp. from U.S.	2,795	2,600	2,795	0	2,600	3,300			3,300
Total Supply	3,750	3,400	3,750	4,000	3,600	4,000			4,200
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed and Residual	50	50	50	50	50	50			50
FSI Consumption	3,500	3,250	3,500	3,750	3,450	3,750			3,950
Total Consumption	3,550	3,300	3,550	3,800	3,500	3,800			4,000
Ending Stocks	200	100	200	200	100	200			200
Total Distribution	3,750	3,400	3,750	4,000	3,600	4,000			4,200
Yield	1.	1.	1.0526	1.	1.	1.0526			1.0526

Commodities:

Corn

Production:

Post forecasts Nigeria's corn production in 2010/11 at 8.5 million tons, up from the revised 8.3 million tons in 2009/10. Private sources indicate that corn area will increase, as the prevailing high prices encourage farmers to switch area from cotton to corn, as well as bring new land into production. Also, the introduction of early maturing varieties has allowed corn area to continue to expand into drier Northern growing areas. A modest increase in yield is also expected because of reported early arrival of rain in the grain belt and greater availability of imported fertilizer. Planting is expected to commence in May 2010.

Consumption:

Despite the good corn crop in 2009/10, prices have remained high because of rising demand coupled with the low carry-over stocks. At present, the price of corn in Northern growing regions is 55,000 naira per ton (\$366). The cost of corn delivered to the main poultry growing areas in Southern Nigeria is substantially higher. Poultry producers are unable to get sufficient corn supplies from local sources and are looking to imports. Also, if the price of wheat falls below \$200, poultry producers are likely to switch from corn to wheat for use for feed.

The bulk of Nigeria's corn crop is used for direct human consumption and corn is a staple of the Nigerian diet. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the steady growth in the poultry sector witnessed in recent years. Approximately 95 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 1.3 million tons in 2010/11, up from 1.2 million tons in 2009/10.

Trade:

Post forecasts Nigeria's corn imports in 2010/11 at 200,000 tons, up from 100,000 tons in 2009/10. On September 25, 2008, the GON lifted the import ban on corn, which was imposed in 2005. Now that corn imports are allowed (at a tariff of 5 percent), poultry producers in the country are looking to imports, especially as many have reported difficulty in even sourcing sufficient quantities of domestic corn. The poultry industry in Nigeria is concentrated in Southwestern Nigeria near major urban centers (Lagos and Ibadan), and as such imported corn into Lagos has a transportation advantage to major poultry operations when compared with domestic supplies grown in the middle and northern regions of Nigeria. A few feed mills have already begun importing corn.

Corn is technically banned for export, although there are large volumes of informal cross-border exports to Niger, Chad and Sudan.

Stocks:

A major problem with grains production in Nigeria continues to be inadequate storage. On average, 30 percent of Nigeria's grains output is lost due to spoilage, contamination, and attack by insects, rodents and physiological deterioration in storage (post harvest losses). This high loss translates to loss of revenue to Nigeria's resource poor peasant farmers. The USDA is extending

technical assistance to Nigeria in grain silo management under the Global Food Security Initiative program, and the Federal Government is boosting its strategic storage capacity.

Policy: Following the removal of the import ban on corn, the U.S. Grains Council has become active in Nigeria in market promotion and technical trainings.

Production, Supply and Demand Data Statistics:

Corn Nigeria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	4,700	4,700	4,700	4,900	4,900	4,900			5,000
Beginning Stocks	96	96	96	146	146	146			146
Production	7,900	7,900	7,900	8,300	8,500	8,300			8,500
MY Imports	50	50	50	200	200	100			200
TY Imports	50	200	50	200	200	100			200
TY Imp. from U.S.	3	0	3	0	150	10			20
Total Supply	8,046	8,046	8,046	8,646	8,846	8,546			8,846
MY Exports	100	100	100	100	100	100			100
TY Exports	100	100	100	100	100	100			100
Feed and Residual	1,000	1,000	1,000	1,200	1,200	1,200			1,300
FSI Consumption	6,800	6,800	6,800	7,200	7,200	7,100			7,300
Total Consumption	7,800	7,800	7,800	8,400	8,400	8,300			8,600
Ending Stocks	146	146	146	146	346	146			146
Total Distribution	8,046	8,046	8,046	8,646	8,846	8,546			8,846
Yield	2.	2.	1.6809	2.	2.	1.6939			1.7

Commodities:

Sorghum

Production:

Sorghum production in 2010/11 is forecast at 11.7 million tons, up from 11.5 million tons in 2009/10. Crop yield has increased because of the growing acceptance by farmers of improved varieties developed by local research institutes. These include two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics, which are higher yielding and earlier maturing. The earlier maturing trait is especially attractive to farmers due to the erratic nature of the late-season rains in the main northern growing areas.

Consumption: Sorghum is the primary food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing, and industrial demand for sorghum by beer manufacturers is rising steadily, in step with rising demand for their products. Beer had been produced exclusively in Nigeria from sorghum and corn following a ban being placed on barley and barley malt importation in the mid-1980s. Although the ban was lifted in 1999, breweries have continued to use sorghum and corn as the key ingredients. Sorghum use in poultry feed is limited by its high tannin content.

Trade:

Nigeria is self-sufficient in sorghum, although opportunities exist for imports of sorghum by breweries in southern Nigeria and exports informally to neighboring countries.

Policy:

On September 25, 2008, the GON lifted the import ban on sorghum and the tariff is currently at 5 percent.

Production, Supply and Demand Data Statistics:

Sorghum Nigeria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	7,400	7,400	7,400	7,500	7,500	7,500			7,600
Beginning Stocks	200	200	200	200	200	200			200
Production	11,000	11,000	11,000	11,500	11,500	11,500			11,700
MY Imports	0	0	0	0	0	0			0
TY Imports	0	0	0	0	0	0			0
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	11,200	11,200	11,200	11,700	11,700	11,700			11,900
MY Exports	50	50	50	50	50	50			60
TY Exports	50	50	50	50	50	50			60
Feed and Residual	150	150	150	150	150	150			150
FSI Consumption	10,800	10,800	10,800	11,300	11,300	11,300			11,490
Total Consumption	10,950	10,950	10,950	11,450	11,450	11,450			11,640
Ending Stocks	200	200	200	200	200	200			200
Total Distribution	11,200	11,200	11,200	11,700	11,700	11,700			11,900
Yield	1.	1.	1.4865	2.	2.	1.5333			1.5395

Commodities:

Rice, Milled

Production:

Nigeria's rice production in 2010/11 is forecast at 3.6 million tons, up from a revised 3.4 million tons in 2009/10. The GON is aggressively promoting rice cultivation under a Presidential initiative to increase rice production to 6 million tons within three years. The initiative involves the promotion of the New Rice for Africa (NERICA) variety. The variety is resistant to the African Rice Gall Midge disease and it is higher yielding than currently used varieties. Government sources indicate that 1.3 billion Naira (\$8.5 million) was released by the GON for the dissemination of these improved varieties at a 50 percent subsidy.

A number of the major rice importers in Nigeria have made investment in milling capacities. Examples of these private sector initiatives are: Veetee Rice in Ogun State; Olam in Lagos, Benue, Nasarawa and Kwara States; and Stallion in Lagos. As part of a backward integration program, some of the companies have developed nucleus estates that would use local farmers as out growers to supply rice to the mills. As an incentive to these companies, the GON has granted a concessionary duty of five percent on brown and paddy rice that will initially allow them to import these supplies until that time that they can source sufficient domestic supplies to operate their mills at capacity. The Federal Ministry of Agriculture continues to indicate that Nigeria can be self-sufficient in rice production, as virtually all-ecological zones in the country are suitable for rice cultivation.

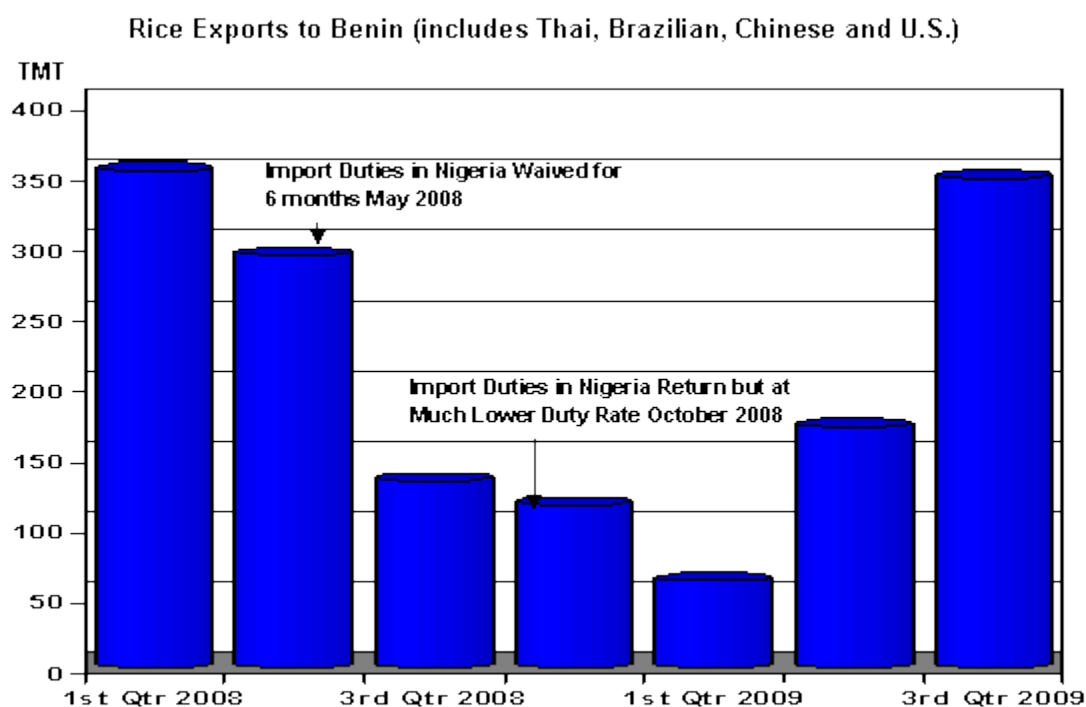
Consumption:

Population growth and rising incomes are expanding rice consumption in Nigeria. Imported parboiled rice competes effectively against other basic food staples, which explains why import volumes have remained large. Rice is a regular item in the Nigeria diet, largely because of the convenience and the variety of ways it can be prepared. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest, while locally milled rice is consumed mainly in the rural areas. The quality of the locally produced rice has improved considerably. For example, the locally produced Ofada rice is a national delicacy and is offered to consumers at a premium.

Trade:

Post forecasts Nigeria's rice imports in MY 2010/11 (note: Marketing Year is October-September) to grow to 1.9 million tons, up slightly from the revised 1.8 million tons in MY 2009/10. U.S. rice has returned to the Nigerian market although it still makes up a small percentage of total imports. U.S. sales and shipments so far this year have climbed to nearly 40,000 tons, the highest level in over 20 years. This is due largely to tariff changes in Nigeria, recent competitive pricing of U.S. rice and the perception of Nigeria's discerning consumers of U.S. products as higher quality. There are three major importers of U.S. rice in Nigeria, one which imports fully milled long grain rice and two which use the beneficial tariff structure to import long grain brown rice to mill locally. Nigeria is the largest market in the world for U.S. long grain brown rice. Post has also observed increased presence of Brazilian and Chinese rice in the Nigerian market.

At present, the GON's tariff policy is fueling huge cross-border undocumented rice imports and it is affecting direct imports of rice from all sources. Cross-border smuggling of rice moves in tandem with changes in the GON's tariff policy (see graph below). From a duty of 109 percent in 2008, the GON temporarily eliminated the duty on rice imports, between May – October 2008, to cushion the impact of escalating food prices. As a direct result, rice exports to Benin declined steadily from the second quarter of 2008 to the first quarter of 2009 as smuggling became unprofitable. Rice exports to Benin stayed low even shortly following the reintroduction of the GON's import duty, as the duty was reduced from 109 percent to 30 percent for milled rice, and to only 5 percent for brown rice.



However, recently, the disparity between the tariff in Benin and Nigeria has resulted in a surge in undocumented cross-border trade. The GON recently raised the reference price on rice for duty valuation to \$640 per ton, up from \$590 in 2009. This, coupled with the 30 percent duty on milled rice, compares very unfavorably to the \$100 per ton reference price and 15 percent duty used by the Republic of Benin at the Cotonou port. The landed cost of smuggled rice in Lagos is estimated to be \$200 lower than direct imports through Nigerian ports. Local traders who import directly through Nigerian ports are reporting that their inventory is piling up because they cannot compete with smuggled products. At present, a 50-kilogram bag of the smuggled rice is retailed for 6,500 Naira, while the landed cost of rice imported directly through Nigerian ports is estimated at 7,000 Naira 50 kilogram bag, with the retail cost substantially higher. It is estimated that more than half of Nigeria's imports of 1.8 million tons in 2009/10 is being smuggled through Nigeria's porous borders.

Policy:

The import duty for seed, paddy and brown rice is five percent while for semi and wholly milled rice is 30 percent. The lower duty for paddy and brown rice is to encourage local value addition by importers who have established milling facilities in the country. The GON uses a bench mark price of \$640 per ton for both brown and milled rice for the purpose of import duty calculation.

Marketing:

As a result of recent tariff changes and higher U.S. rice exports, the USA Rice Federation commissioned a market studies and have initiated market promotion efforts in Nigeria.

Production, Supply and Demand Data Statistics:

Rice, Milled Nigeria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Area Harvested	2,300	2,300	2,300	2,400	2,400	2,400			2,450
Beginning Stocks	770	770	770	570	570	570			470
Milled Production	3,200	3,200	3,200	3,400	3,400	3,400			3,600
Rough Production	5,333	5,333	5,333	5,667	5,667	5,667			6,000
Milling Rate (.9999)	6,000	6,000	6,000	6,000	6,000	6,000			6,000
MY Imports	1,750	1,700	1,750	1,800	1,600	1,800			1,900
TY Imports	2,000	1,900	2,000	1,800	1,600	1,800			1,900
TY Imp. from U.S.	0	24	24	0	40	40			60
Total Supply	5,720	5,670	5,720	5,770	5,570	5,770			5,970
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Consumption and Residual	5,150	5,100	5,150	5,300	5,100	5,300			5,500
Ending Stocks	570	570	570	470	470	470			470
Total Distribution	5,720	5,670	5,720	5,770	5,570	5,770			5,970
Yield (Rough)	2.	2.	2.3187	2.	2.	2.3613			2.449